

SPECIFICS OF THE MARKETING AUDIT IN THE FINANCIAL-BANKING SECTOR

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Abstract

Broadly speaking, the literature on the marketing audit and marketing of services has developed on a separate track. The prerequisite for a particular framework in developing the marketing audit of services is that it does not take sufficient account on the services features, even if the marketing audit is similar with the one in services, too. This thing does not allow the company of services to benefit from the advantages of the audit marketing.

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JEL Classification: M₃₀, M₃₁

1. Marketing audit: concept and development

As seen in Table 1, the concept of marketing audit was introduced in the specialty literature around the 50's.

Author/Definition	Contributions	References to services
Schuchman (1959) – marketing audit (MA) is a revision and an appreciation of the marketing activities, objectives and policies, as well as of the methods, techniques, strategies and activity of the staff that are focused on reaching the objective.	<ul style="list-style-type: none"> • Introduction of the concept of ,marketing audit'. • Definition of the purpose of marketing audit. 	<ul style="list-style-type: none"> • None.
Tirman (1971) – MA is presented as a method to support management in assessing efficiency within a company.	<ul style="list-style-type: none"> • Showing three stages of the MA development: the assessment of the marketing environment, the assessment of the marketing system and the 	<ul style="list-style-type: none"> • None.

Author/Definition	Contributions	References to services
	detailed assessment of the fields in the first two stages.	
Kotler, Gregor, Rodgers (1977) – MA is a statistical and exhaustive examination of the marketing activity in a company (marketing environment, objectives, strategies), with the purpose of deciding upon the opportunities and to suggest a plan of action, targeting improving the marketing performance.	<ul style="list-style-type: none"> Delineating six marketing components: environment, strategies, organization, systems, profitability, functions. 	<ul style="list-style-type: none"> None.
Kotler (1977) – there is no definition for MA. The article focuses on the MA efficiency, which depends on five elements: the needs of the consumer, the marketing organization, marketing information, strategic orientation and the operational efficiency.	<ul style="list-style-type: none"> Applying the audit principles to the marketing efficiency. 	<ul style="list-style-type: none"> None.
Bercowitz, Flexner (1978) – similar to Schuchman (1959).	<ul style="list-style-type: none"> Introducing the concept of MA into the literature of medical social services. Pointing out at the MA role in the development of marketing direction in a company. 	<ul style="list-style-type: none"> It concentrates on the specifics of the medical social services.
Naylon, Wood (1978) – the MA system is built in such a way to notice whether the marketing resources of a company are efficiently used.	<ul style="list-style-type: none"> Providing practical solutions for the MA conception and designing. 	<ul style="list-style-type: none"> None.
Wilson (1982) – no explicit definition for the MA concept.	<ul style="list-style-type: none"> Presenting a method that will facilitate the identification, gathering and evaluation of the information referring to the marketing resources, as well as to the strengths and weaknesses in a company. 	<ul style="list-style-type: none"> None.
Wheatley (1983) – similar to Schuchman.	<ul style="list-style-type: none"> Extending the MA concept to the area of professional services. 	<ul style="list-style-type: none"> It focuses on professional services.
Payne (1988) – no progress in defining MA.	<ul style="list-style-type: none"> Presenting assessment methods/opportunities of the marketing efficiency. 	<ul style="list-style-type: none"> None.

Source: adapted from Berry Leonard L., Comanit Jeffrey S., Parasuraman A., *A Framework for Conducting a Services Marketing Audit*, "Journal of Marketing Service", vol. 19, no. 3, 1991.

Upon a brief examination of the chart above, we notice: (1) generally speaking, the authors have convened on the concept name: (2) the literature is conceptual and normative, (3) the services features are often overlooked.

In conclusion, even though the concept of marketing audit has had a sufficient number of approaches to make it clear, the services features are neglected, in spite of the fact that they are essential within the marketing strategies.

2. The features of the audit in the marketing of services

The audit objectives, as a function in the risks management, may be as such:

- to support the executive management in identifying and managing the risks;
- to evaluate the efficiency of the bank operations and transactions;
- to evaluate the way in which the laws, regulations and the bank-operations procedures have been complied with;
- to check the information included in the accounting documents and computer-based systems;
- to evaluate the activity of risks management (independent of management).

The basic concept that helps the marketing activity in a company be regularly evaluated, in a comprehensive and objective way, applies to both the material goods and the services.

Most part of the literature on marketing relies on the implicit presupposition that the factors bringing success in the marketing of the goods producing company are identical with the ones in the services company.

Upon considering that the services marketing is different from the goods marketing and that the services company are not the same, it is good to know what are the specifics of the marketing audit in services.

What needs to be done is to approach the marketing audit in such a way that will take into account the services features, but at the same time to have enough flexibility to be applied to as many as possible categories of services, looking at their heterogeneity.

There are four concepts we should concentrate on for the marketing audit in services, such as: the organization of the marketing department, the marketing towards the current consumers, the internal marketing and the quality of services.

The organization of the marketing department

As said earlier, the services provider enters into a direct relation with the consumer, for most services. The financial institutions are not able to take care of most services unless the consumer is physically present.

The production inseparability and the services consumption lead to a 'decentralization' of the service. Similarly, the services inseparability changes the role of the marketing department into a services company. The, classic' position

and role of a marketing department in a goods-producing company is ,to build and develop the company marketing'. For the services company, the providers become sale people and marketing specialists.

The services providers who have a direct relation with the consumers are the best positioned to fulfil this role of marketing staff; they listen to the consumer, support the advertising message, they adjust the desired service to the consumer's needs. A crucial role of the management in the banking services companies is to train the personnel to become marketing representatives, to explain the importance of this thing for the company and, at the same time, to give enough authority in achieving its tasks.

The marketing audit of the financial-banking institutions needs to evaluate the efficiency of the marketing activity by means of how the management has succeeded to involve the staff 'in the front line' to comply with the bank marketing policies. A marketing audit that does not have the attention of the staff to the point that they feel motivated, appreciated and able to take care of the marketing tasks is not complete.

After 1980, practice has shown that, for the banking services sector, the marketing is not only the responsibility of the department in itself, but the marketing activities need to be incorporated into the entire institution.

The status of most clerks within the services company is complex, as they have double responsibility.

First of all, it is obvious that the counter clerks, the insurance agents have to fulfil their primary tasks. But all have to understand that the way they perform must rely on the marketing concept. Very often, the clerks with double responsibility (doing marketing activities, too) are more numerous than the company marketing specialists.

In this context, for most cases, the term of marketing compartment is mistaken for the marketing one, which is much larger.

The marketing function includes all the resources and activities that have a direct or indirect impact on the initiating, maintaining and consolidating the relations with the company environment, irrespective of which organizational form is in.

The marketing compartment, on the other hand, is an organization form that aims to concentrate on some activities of the marketing function in an organizational unit.

To initiate a marketing compartment represents an organizational solution that allows solving marketing issues and, to a certain extent, is an efficient solution. Thus, the leaders create an interest, at least theoretical, in the marketing activities. For long-term, though, this solution may act as a trap, which will make difficult to perform the activities from a marketing perspective.

For goods, the overlapping of the marketing function over the marketing compartment is normal, since the marketing compartment is the one also involved in public relations very often. It is only those tasks related to sales that fall under the jurisdiction of the trade function and belong to the outside of the marketing compartment.

For most services, the situation is vice versa. Normally speaking, only the tasks of the traditional marketing (promotion, prices) are solved by the marketing compartment, whereas the others are taken care of on the outside.

Anyhow, most banks tend to develop their marketing compartment, instead of maintaining and improving their marketing orientation. The long-term effect is the reverse of the desired one.

A traditional marketing compartment may not be held responsible for fulfilling all the marketing function of a services company. Its launching negatively influence the company culture, since the personnel in other compartments is not interested in the obligations that it has within the customer services and only concentrates on the basic tasks. It considers that the company has specialists who work in a marketing department. This will steer the company more towards services supply and less towards the market, to the consumers' wishes. This is the reason why the solution of organizing the marketing activity by a specialized department is a real trap.

The negative effects of organizing a marketing department may be amplified by a system of evaluation and compensation, based more on services supply.

Therefore, it results that, for the services companies, the organization of the marketing activity by a specialized department is good when the market-orientation is lacking or is not sufficient. Sometimes, it may be used as an intermediary solution. There are financial-banking institutions that have become competitive on the market.

The marketing department is useful in drafting marketing research of the company strategies and of performing the marketing programs.

At the same time, special efforts should be made to introduce the marketing perspective into the entire company organizational structure, especially for the sectors with direct responsibilities in services. The marketing department needs to be carefully initiated, having specific tasks within the company. The organization of a marketing department does not need to lower the number of activities performed by the rest of staff in their relation with the clients.

The efficiency of a services company is high when the management does not involve itself in the daily organizational decisions, at the provider-consumer level (only for special cases), but gives a strategic support and necessary resources for reaching the company's objectives.

Systematically, the reports among various decisional levels within the traditional and modern organizational structure, as for the services company, are shown in fig. 1.

The changes in the organization of a company are the result of the modifications in its strategy and rely on the management principles. As seen below, even the priorities are changed. The nucleus of the core management is not in the top of pyramid and does not represent the defining element of organizational structure, essential for the company success or failure. Instead, the staff in the area of contact with the consumers is on top of the pyramid.

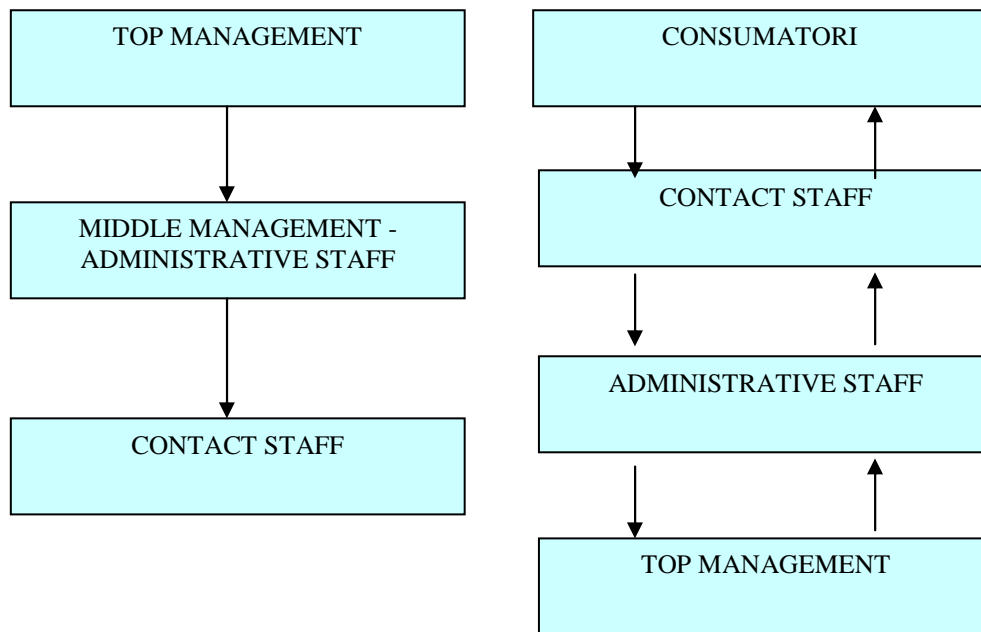


Fig. 1. Report among the various decisional levels within services companies

The results derived from the 'front line' staff proves the company's profitability. The administrative personnel and the company management are only the prerequisites for services of a superior quality. On the other hand, the responsibility for the relations with customers and the operational decisions are transferred from the management and the administrative personnel to those who have a direct contact with the customers and are directly responsible for services supply. The new approach also involves an organizational structure where the horizontal relations are more developed than the vertical ones, i.e. the pyramid is flattened. As a matter of fact, this is how the transfer of the tasks and authority takes place, from the administrative personnel and management to the staff with operational functions.

The starting point in drafting an efficient and viable organizational structure in a financial institution is the identification of a formula to provide the orientation towards market, to satisfy the customers. As already shown, the initiation of a marketing department, at a certain level of the company development, even useful for a long term, represents a braking factor, which will trigger an interactively or inexistent weak management, which deteriorates the company image and loses consumers.

The activity of a services company are structured on three categories: traditional marketing activities (central level), administrative activities and activities that are directly involved in providing services.

The traditional marketing activities include the marketing research, the designing of the company development strategy and the marketing mix, the company communication system. They are initiated at the central level as they show a strategic importance for the company. The administrative activities comprise finance-accounting services, research-development and other activities that support the optimum fulfilment of the basic services. The last group includes the activities that have a direct relation with providing services and are included in the interactive marketing area.

These three categories of activities are subordinated to the institution central management, which has the role of marketing coordinator and is responsible for the entire marketing activity of the company.

The management capacity and performance are mainly evaluated in terms of the following factors:

- a. The involvement level of the decisional factors in providing optimum conditions of carrying out the company's activity.
- b. The ability of the decisional factors to appropriately manage the risks that may derive from changing the business conditions or initiating new activities or products.
- c. The adjustment of the internal policy in regards to the basic activity and the risks derived from it.
- d. The adjustment of the audit and the internal control targeting the financial operations, the regular reporting in compliance with the internal policies, regulations and laws.
- e. The accuracy and the opportunity of notifying the management, as well as the experience of certain risks administration systems, in accordance with the complexity and risk profile of the institution.
- f. The reaction (receptivity) of the decisional factors to the recommendations of auditors and supervision authorities.
- g. The depth of management and its succession.
- h. The extent to which the administration council and management are affected or sensitive to the dominant influence or the authority concentration.
- i. The institution performance and its risk profile.

This model gives an important role to the organizational unit that has direct relations with the consumer. Since the services are activities and not objects involving qualified personnel, the best place to apply the marketing conception is the provider-consumer contact zone. In this place, the bank staff informs and give consultancy about the bank product and services, the insurance agents present the offer of the society they represent, etc.

The company 'gives life' to the product, confirms or destroys the promises linked to advertising, where will gain or lose credibility in front of the consumers, by improving the relations with them.

Marketing to the current consumers

The final consumers for goods do not, as a rule, enter a direct relation with their manufacturers. On the contrary, due to the inseparability of the production and consumption, in case of majority of services, the provider and the client meet each other. This thing gives to the services company the opportunity to build and develop preferential marketing relations with the clients. Of course the possibility to establish marketing relations is not equally valid for all the categories of services, for all decisions. The conditions to develop such relations are optimum when the consumers have a relatively constant request for the services of a company, when the provider-client relation is absolutely necessary to achieve that service or when the company carries out multiple services (giving the possibility to strengthen this relation).

In conclusion, most companies providing services to its consumers at regular intervals of time, for long periods of time, will have the opportunity to develop the marketing relations after the consumers have already benefited from the company services.

For these companies, the marketing audit has to directly evaluate the efficiency of the marketing actions upon the present clients of the company, since it is known that they represent the most important source of profit increase. The exclusive evaluation of the services company only based on the number of new consumers is not sufficient and irrelevant for the company activity.

The internal marketing

In the marketing literature, the focus has been placed on the distribution of the products to 'the right place', and at 'the right time.' For the services, because of the provider-customer interaction, the service delivery must be done 'in a right manner'. The provider is not only the service seller, but for the consumer he represents the service, most of the time. The decision of the consumer to turn to the company services depends on how the provider behaves, how he acts, what he does not say, by his entire attitude and the way he looks.

The decisive role of the staff performance in the services sector leads to the increase of importance of the internal marketing, which involves:

- the hiring of the best specialists in the field and keeping them;
- the development of a permanent system of training and professional improvement;
- the team work;
- the adoption of a system of evaluation and distinction of the services provider activity.

The quality of services

A larger concept than the internal marketing, but determined by this one, is the quality of services. The consumers evaluate the quality by comparing the service that they have benefitted from with the one that they have desired to get. In other words, the quality of services is the result of the confirmation of the consumers' expectations that they have during the reception of the service. Upon this comparison, we have the following possibilities:

- unsatisfactory service;
- acceptable service;
- very good service;
- beyond-expectations service.

An acceptable quality is, for all cases, mandatory. But if a company intends to excel in the services sector, it needs to provide services that will exceed the expectations of the consumers. To obtain a very good quality should be the objective of any company targeting a solid reputation. This thing would persuade the consumers to develop long-term relations with the company and build a favourable image via their impressions.

3. The Index of Evaluating the Marketing Activity in Services (IEMS)

A correct evaluation of the marketing activity in an organization requires the use of certain criteria that will reflect the basic features of the services. Such criteria are found in the four categories earlier mentioned: the organization of the marketing department, the marketing to the current consumers, internal marketing and the quality of services. For a complete evaluation, it should include two other elements of the audit, valid for both the goods and services: the marketing orientation and the potential clients.

The marketing orientation is given by the degree in which the activities and decisions taken in an organization mirrors the orientation towards consumer. The evaluation of the marketing orientation involves marketing research made by the company, the designing of a marketing program and its implementation, the control of achieving carrying out that activity, as well as the way how the managers communicate with the company staff and the staff with the consumers.

In this case, the marketing audit should include mentions regarding the attitude to the staff to the consumers, more precisely towards their involvement and responsibility.

The marketing to the new consumers consists in the evaluating of the degree in which the attraction of clients is a priority in the company development program.

This component may be evaluated by looking at the designing strategies to attract consumers and by a correct distribution of the resources to efficiently implement these strategies.

The marketing to the current consumers implies the methods used by the company to maintain and develop relations with its clients. Similar with attracting new consumers, the designing of an appropriate strategy and the distribution of optimum resources are crucial for the success of this component. But for the current consumers, the building of preferential relations is a major concern for the services companies.

The internal marketing is the extent to which an organization succeeds to attract, maintain, improve and motivate the personnel. The final purpose of the internal marketing is to present a marketing perspective in such a way that the employees will wish and be able to bring faithful clients to the company.

As far as defining the concept of the internal marketing, opinions still vary; but the 'internal marketing represents the attraction, improvement and keeping the personnel of the company in the positions that will assure the maximum and efficient use of their abilities and as well as a system of motivation that will allow the satisfying both the material needs and the professional aspirations of the company staff.' (Berry L., Parasuraman A., 1989, p. 171).

The quality of the banking services is the result of comparing the consumer's expectations with the experience during his performance. Quality is defined by the consumers. They are the ones who finally appreciate the good, mediocre or low quality of services. The rest of the appreciations is irrelevant or insufficient anyway. The starting point in the perception of the service is given by the extent to which the provider supplies the service in compliance with the consumer's desire. Quality is not a purpose per se, but it has to rely on the consumers' wishes and necessities. Moreover, these desires are most of the time objective and it is difficult to base the quality of services on objective criteria.

The desiring and expressing IEMS are different from the traditional framework of the marketing audit as such:

- It explicitly includes a number of evaluation criteria that reflect the differences between the goods and services, where these differences are essential in a correct assessment of the marketing activity;
- It does not directly include the environment factors at a macroeconomic level, which are always part of the traditional marketing. Moreover, it takes into consideration the factors of the micro-environment, which more strongly influence the marketing performance level. It should be mentioned that the use of a services company within the evaluation of the marketing activity is helpful for the completion (and not the replacement) of the issues of a macroeconomic level.

4. Indicators of bank performance

Generally speaking, the management of the entire portfolio of a financial institution may be called the management of assets and liabilities.

The management of assets and liabilities is an integrant part of the administration process within a bank company or financial institutions (Hempol G., Coleman A., Simson D., 1991). The management of assets and liabilities is perceived as a short-term component of the complex administration process, focusing on the management of the daily or weekly balance sheet, in order to fulfil the short-term financial objectives.

The objectives of the management of assets and liabilities consist in the increase of the bank revenue from placements, along with the decrease of the sources costs to be attracted while maintaing an acceptable risk and complying with the current regulations concerning the bank agreement and liquidity.

Thus, the results of the banking activity need to be determined both in the form of absolute values and relative values, in order to make comparisons.

We present below a few indicators that are most used to evaluate the banks economic and financial status (Dedu V., 2001, p. 253).

1. **The net interest margin (NIM).** The management of assets and liabilities focuses on the net interest margin of the financial institution, which is expressed by the interest derived from financial investments and the interest paid for the attracted sources.
2. **Return on capital (ROC)** is the net profit derived for the unit of the invested share capital. The higher the value of this indicator, the higher the rentability of using the shareholders capital, thus giving the possibility to the banks to develop in the future.
3. **Return on assets (ROA)** represents the net profit derived from the assets unit available to the bank. The higher the value of an indicator, the more efficient the use of the assets by the bank.
4. **The net profit rate (NPR).** Starting from the fact that the numerator of the 'net profit rate' indicator is calculated by deducting the expenses and taxes from the revenue, where this indicator measures the bank's ability to decrease the costs. The higher the value of this indicator, the more successful the bank in limiting its costs.

The audit may and should be used as an important tool in supporting the top management in the identification and coverage of the risks that are inherent in the banking activity.

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